

## 2011 Legislative Update

The repeal of the Deferred Retirement Option Plan (DROP) was the first law (Act 2011-27) passed this legislative session that affected retirement benefits. The RSA stopped accepting applications for DROP March 24, 2011. Members participating in DROP will see no change. However, members who complete participation in DROP but continue to work and do not withdraw from service will experience a change in how interest is credited to their accounts. The interest will be the lesser of either 4% or what the RSA earned the previous year on its investments. This should have little impact on participants because it is only on extreme occasions that earnings fall below 4%.

Active members' paychecks will feel the effects of the session. Pursuant to Act 2011-676, members will have an additional 2.5% deducted from their paychecks by October 1, 2012. Regular state employees and public education employees will pay 7.25% in retirement contributions beginning October 1, 2011, and 7.5% beginning October 1, 2012.

Law enforcement officers, correctional officers, firefighters, as well as judges, will pay 8.25% in retirement contributions beginning October 1, 2011, and 8.5% beginning October 1, 2012. Members of the state police plan are not included in this legislation and will not see an increase in their retirement contributions. Also, local agencies participating in the ERS are not mandated to increase member contributions, but may elect to do so.

Members participating in the Public Education Employees' Health Insurance Plan (PEEHIP) and retiring after December 1, 2011, could also be paying vastly more for their health insurance due to passage of act 2011-704, depending on their age and years of service. These changes are discussed in detail in the July *PEEHIP Advisor*. You may also view the changes on the RSA Web site at <http://www.rsa-al.gov/PEEHIP/peehip.html>.

Prepared by the Communications staff of the Retirement Systems of Alabama. To have your questions answered in "Preparing for Retirement", please address them to **Michael Pegues, Communications, Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150**. Please visit our Web site at [www.rsa-al.gov](http://www.rsa-al.gov).